

SHREWSBURY PUBLIC SCHOOLS: *FISCAL TRENDS AND FIVE-YEAR PROJECTION*



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I. Introduction:

As a school district and town, we have historically planned strategically with long-term forecasts for enrollment, curriculum development, staff and leadership development, building needs and

town infrastructure. The town's Master Plan and the yearly district goals of the school department are two key guiding documents. However, like many districts and other public sector entities, we have not used long-term financial projections because of the uncertainty of the revenue trends from local, state and federal sources. In many cases, these revenue sources are unpredictable even in a shorter one-year budget context. From a cost perspective, school districts operate with a higher fixed cost structure and more significant regulation than most comparable private sector entities that rely on these financial tools. While a hallmark of Shrewsbury has been to think strategically, we ultimately have needed to budget tactically. We hope to broaden that perspective with a five-year projection.

Despite the practical constraints of financial forecasting over five years in a school district, we see much value in creating a strategic thought process and discussion. Building consensus about the nature of the problem and communicating to a wide array of constituencies is as important as the projected numbers themselves. To do this we will rely on historical revenue and expense trends. We will then add in the best estimate of how these trends will move based on the current and expected climate. At the end, the five-year budget projection will provide a relative range of our fiscal requirements. This should provoke our collective thinking about planning our financial future and hopefully elicit common themes for maintaining the current quality of school programs and working towards continued student performance at high levels.

It should be clear that this project has several important limitations including the following:

- This is not a strategic plan for the district. It does not start programmatically and build a case for a vision of what the district will or should become over the next five years. It is a simple mathematical exercise of projecting the past into the future.
- This is not a five-year budget. We should not track actual performance against it in the future. The projections should not limit our annual discussions about program improvement or the administration's duty (required by the federal legislation "No Child Left Behind") to guide our district to be better every year.
- The result is not intended to predetermine a political outcome for funding. It is not an endorsement of a certain level of funding by the school administration or the political leadership.

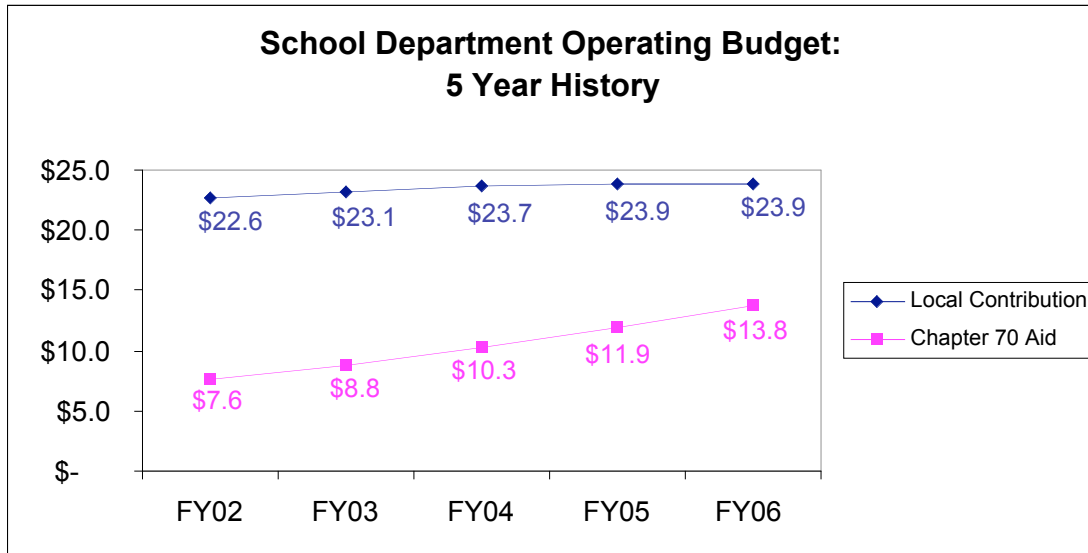
If this document can raise awareness about the sensitivity of the trends that are likely to impact our future funding needs, then its usefulness will outweigh its limitations.

II. School Department Fiscal Resource Trends:

The purpose of the charts on the next page is to demonstrate the history and shift in the source of funds that support the direct costs of school department operations.

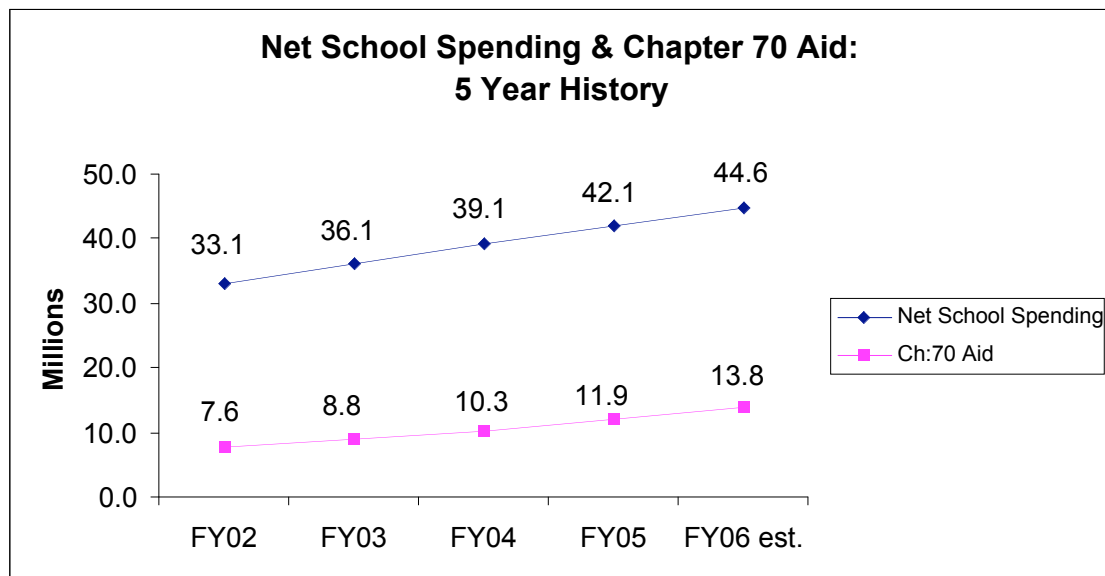
In *Chart A* on the next page, it is very clear that significant annual increases in Chapter 70 aid have fueled our operating budget while the local contribution has leveled off. The community has defeated two Proposition 2 _ overrides in the last two years that would have raised the local contribution. With changes in the Chapter 70 aid formula imminent, the school department operating budget is clearly at risk of leveling off in an environment with increasing enrollment and fixed costs. The operating budget funds expenses related to the "direct services" to pupils and programs such as teachers, busing, special education, textbooks, and supplies.

Chart A: Sources of Funds for Operating Budget



Net School Spending is a term used to describe the total amount of fiscal support a school district receives from a community for both direct and indirect costs. Indirect costs include items such as health/life insurance, facility maintenance, pension costs, and energy costs etc...

Chart B: Net School Spending & Chapter 70 Aid

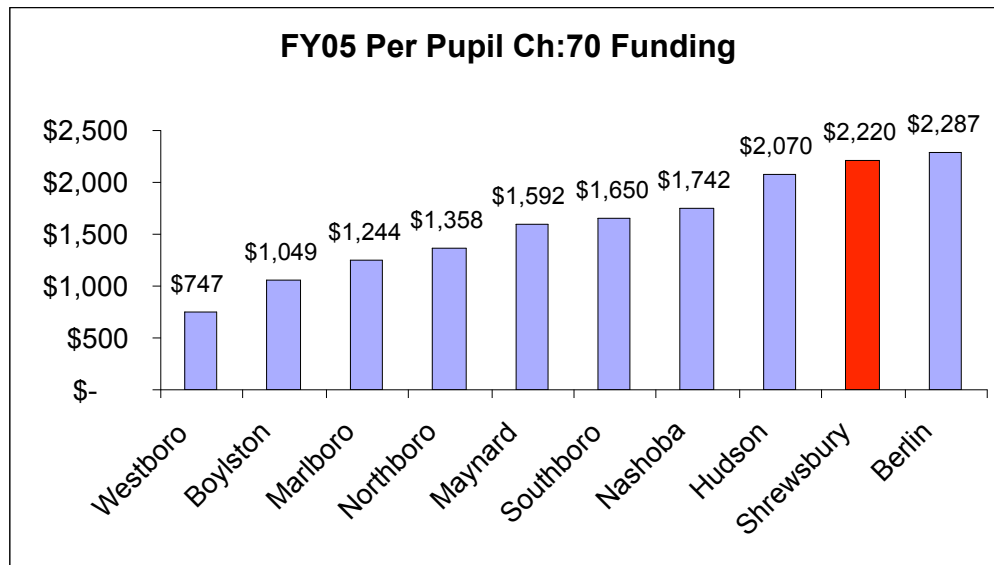


Chapter 70 Aid Comparison

Shrewsbury has received a significant portion of its operating budget from Chapter 70 aid. But how does this compare to area districts? Are we any better or worse off? Chart B below depicts the amount of Chapter 70 aid on a per pupil basis for FY05. It is quite clear that the Chapter 70 aid formula, as it has been devised in the past, has benefited this community greatly. When the formula was developed in the early 1990s many variables were factored into the distribution

formula. As we face the advent of a change in the distribution formula, we must be aware that any significant change could adversely affect this community.

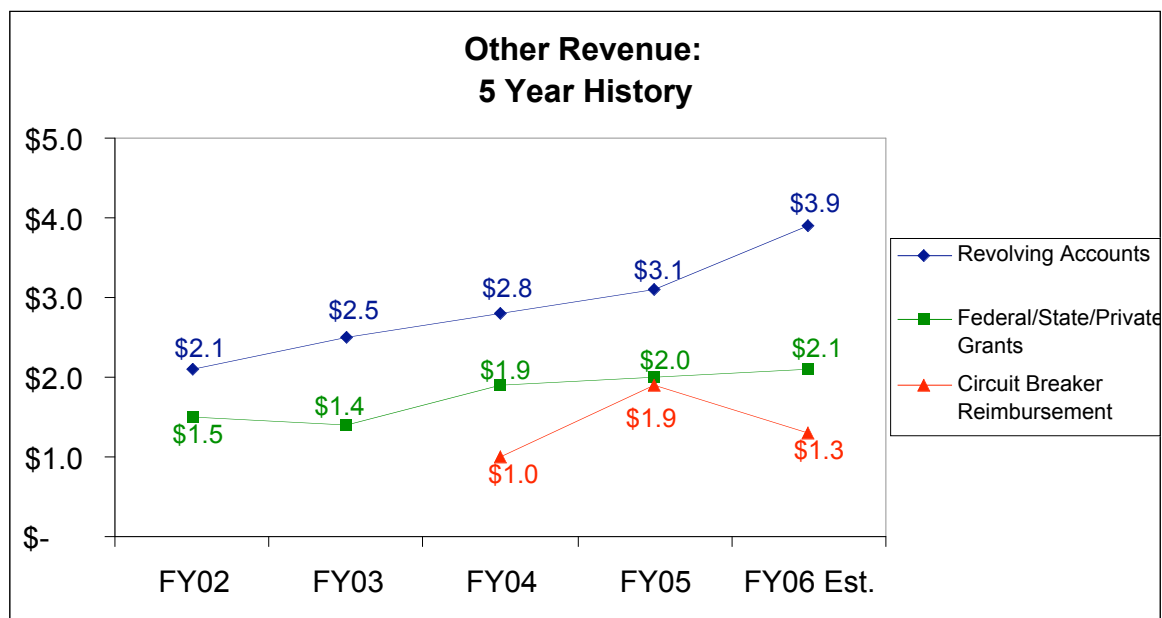
Chart C: State Funding Per Pupil Comparison



In the Chart D below (*Other Revenues*) several facts are clear. First, the revenue from revolving accounts has increased by 86% in the last five years. The sources of revenue in this category come from tuition-based programs (Full-day kindergarten, Preschool), School Lunch, Extended School Care Program, busing fees, and other miscellaneous sources. Busing fees were implemented in FY06 and this contributed to the sharp increase (\$800K) from FY05 to FY06.

Circuit breaker funding for special education costs is a new revenue source as of FY04 and has infused significant funds into the operation. Grant funding continues to increase moderately as a result of our increasing enrollment and federal funding policy.

Chart D: Other Sources of Funds Supporting School Operations



In summary, the message is clear. The financing of direct school expenditures has seen a significant shift in the last five years. Less funding is coming from local tax receipts and a greater proportion of the department funded by the federal and state governments and directly by parents and students from fees. The table below summarizes this shift.

Summary Table: Proportion of Funding From Various Revenue Sources

Source	FY02	FY03	FY04	FY05	FY06
Local Contribution: Operating Budget	67%	65%	60%	56%	53%
Chapter 70	22%	25%	26%	28%	31%
Revolving Accts.	6%	7%	7%	7%	9%
Grants	4%	4%	5%	5%	5%
Circuit Breaker	0%	0%	4%	4%	3%
Total	100%	100%	100%	100%	100%

Does the District Spend Too Much?

While anyone can look at a \$45 million dollar operation and take issue with a specific expense item, to evaluate the cost-efficiency of an organization one should consider the totality of expenditures in context with comparative data. In the private sector, some like to term this type of analysis as “benchmarking”. When one benchmarks the school department’s cost-efficiency, it is clear we do as well or better than most of our peers. Chart E (next page) displays the FY04 Regular Day Cost Per Pupil (latest data available) statistic as determined by the Department of Education for towns contiguous to Shrewsbury. Chart F displays the Assabet Valley Collaborative school districts. Shrewsbury belongs to this collaborative to share program expenses and maximize purchasing power.

Chart E: Contiguous Communities

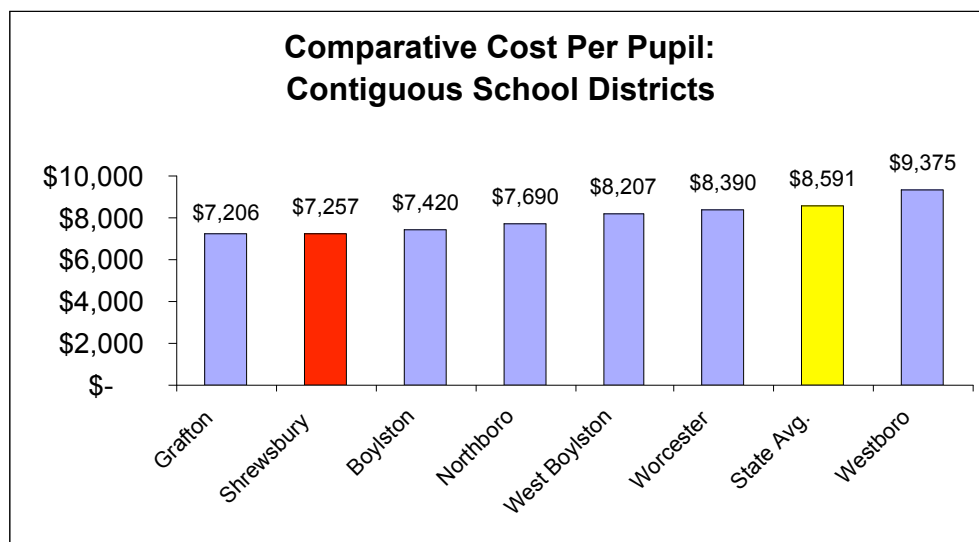
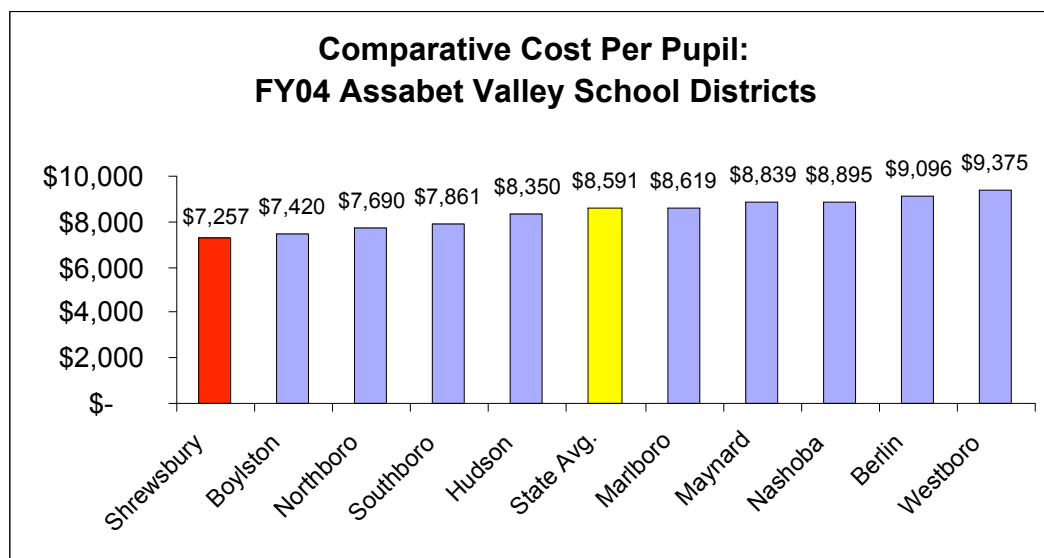


Chart F: Assabet Valley Collaborative



In FY04, Shrewsbury ranked 268 out of 328 (#328 being the lowest cost per pupil) Massachusetts school districts in Total Cost Per Pupil. This places Shrewsbury in the bottom 20% in the state with regard to spending.

III. Assumptions for the Future:

Having reviewed the past trends above we shift our focus to the future. Like any other organization we cannot become stagnant. In fact, we are mandated by federal and state laws to achieve annual increases in student performance. Shrewsbury, like other school districts, is analyzing its student achievement as measured by a variety standards to include MCAS. The district has identified several key areas where it needs to improve. While we will shift existing resources in some cases, we will need new resources in many cases.

In addition, our enrollment continues to climb. Keeping up with increased enrollment and maintaining good class sizes will also require additional teachers and support staff.

In this planning process we have made some modest assumptions about our needs. These are outlined below along with the attached fiscal commitment required.

a) Revenue Assumptions:

Local Tax Levy & Chapter 70 Aid- (4-6%): The town manager has derived a five-year projection on the combined state aid and local revenue. We have applied his town-wide revenue projection percentage to our operating budget.

Grants- (1%): Federal and state grant funding is projected to increase at the low-rate of 1% per year. In past years we have seen an increase in federal special education funding but at the same time a drop off in health-related (Drug Free Schools) and low-income support grants (Title 1).

Revolving Accounts- (3%): Rate increases for tuition-based programs have typically increased at the 3% rate per year in the past and thus we have projected this rate into the next five years.

Circuit Breaker Revenue- (3%): Our reimbursement level will be impacted by two variables: our special education population (growing) and the total amount the state allocates towards this program.

b) Expense Assumptions

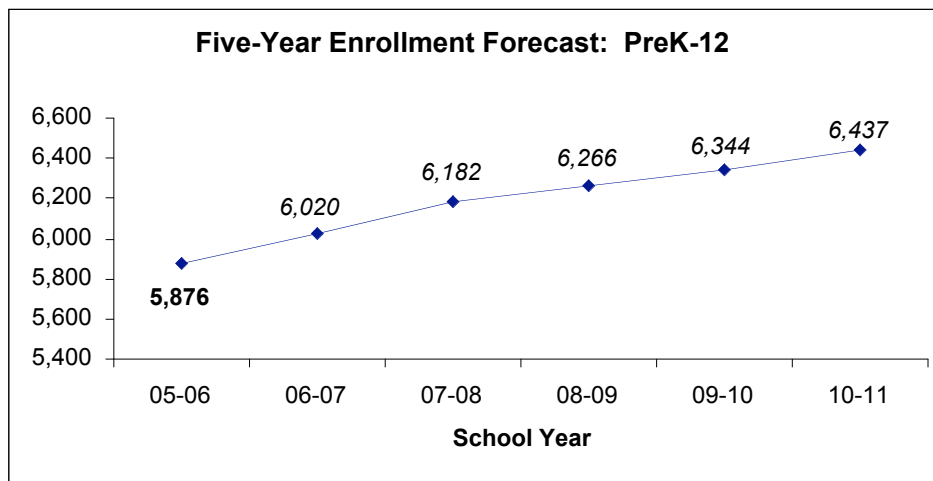
Enrollment:

Enrollment growth continues to require additional teaching staff and pressurize our existing facilities. Continued enrollment growth will require additional teaching staff and we have assumed a 1:20 ratio: one teacher for each additional 20 students. In addition, we have projected the need for an additional special education teacher for every 100 students, another special education paraprofessional for every 50 students, and another specialist (art, music, PE etc...) for every 100 students. The additional staff and associated costs for the next five years are depicted in the table below.

	FY07	FY08	FY09	FY10	FY11
Enrollment Growth	144	162	84	78	93
Classroom Teachers	7	8	4	4	5
Specialist Teacher	1.5	1.5	.8	.8	1
Sped. Ed. Teachers	1.5	1.5	.8	.8	1
Spec. Ed. Para.	3	3	1.5	1.5	2
New Cost	\$495,000	\$540,000	\$274,500	\$274,500	\$345,000

* Assumes average cost of new teacher and para-professional is \$45,000 and \$15,000, respectively.

Chart G: Enrollment Forecast



Curriculum and Program Review Needs:

Each year the district conducts internal and external reviews of its curriculum. To maintain currency the district will need to add or replace textbooks and possibly add staff to meet all of the needs of students. For example, the recently completed Guidance Review indicated a clear need for a district social worker. We have projected \$95,000 per year to meet all of these needs.

No Child Left Behind Act:

In order for the district to meet its student performance improvement requirements, more staff will be needed to provide targeted assistance for English language learners and those not meeting standards in reading and math. We have projected \$90,000 per year.

Special Education and 504 Accommodations:

Additional staff have been projected associated with enrollment growth. This is a volatile area of the budget, however we have not factored any additional costs into this projection.

Technology Infrastructure:

To maintain an inventory of current technology equipment and ensure continued operation of the network a five-year technology plan was devised. To replace aging equipment approximately \$150,000 will be required each year.

Sherwood Middle School Renovation/New Construction:

As we re-engage the process for an addition/renovation or replacement facility for Sherwood Middle School, it should be noted that some additional costs will be incurred not covered by the project budget. However, we have not factored any of those costs into this projection.

IV. Five-Year Projection:

Expense Projection:

	FY06	FY07est.	FY08est.	FY09est.	FY10est.	FY11est.
Appropriations	\$37,662,762	\$40,800,000	\$43,800,000	\$46,800,000	\$50,200,000	\$53,800,000

Budget						
Dollars Inc.	\$1,800,766	\$3,137,238	\$3,000,000	\$3,000,000	\$3,400,000	\$3,600,000
Percent Inc.	5.0%	8.3%	7.4%	6.8%	7.3%	7.2%

Town-wide Revenue Projection:

	FY06	FY07 est.	FY08 est.	FY09 est.	FY10 est.	FY11 est.
Adjusted Revenue	\$70,294,733	\$72,993,901	\$77,019,101	\$81,459,446	\$86,371,210	\$91,818,896
Dollars Inc.	\$3,052,764	\$2,699,168	\$4,025,200	\$4,440,345	\$4,911,764	\$5,447,686
Percent Inc.	5%	4%	6%	6%	6%	6%

**Adjusted revenue is total revenue less "one-time" revenues and exempted debt revenue.*

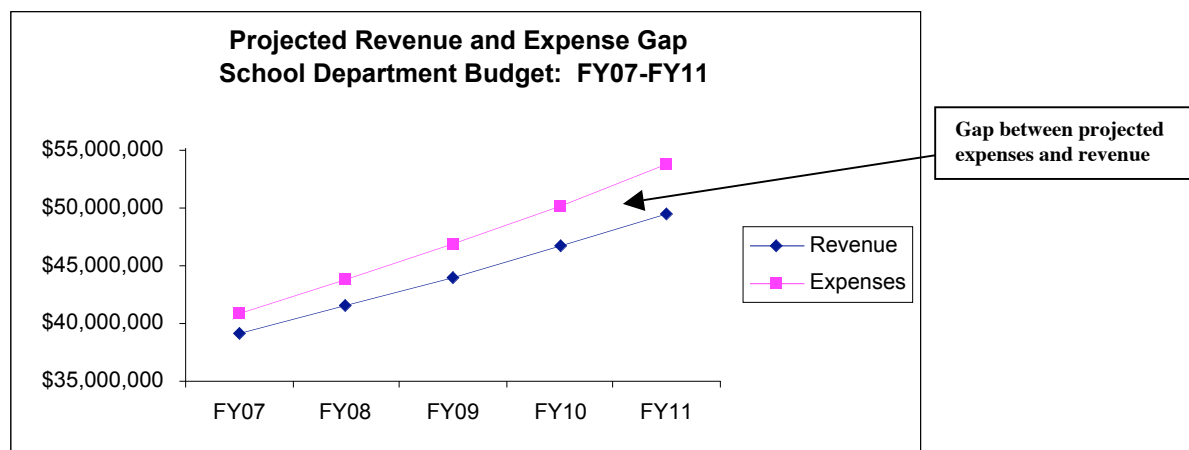
Projected Revenue and Expense Gap Model:

We have modeled the "funding gap" for School Department operating budget by:

- 1) Modeling the future budget increases at the same percentage as the overall town-wide revenue projection percentage increase
- 2) Modeling the future expenses using the aforementioned costing methodology and associated assumptions for the future

Combined Revenue & Expense Projection:

	FY07 est.	FY08 est.	FY09 est.	FY10 est.	FY11 est.
Projected Operating Budget Revenue	\$39,169,272	\$41,519,429	\$44,010,595	\$46,651,230	\$49,450,304
Projected Operating Budget Expenses	\$40,800,000	\$43,800,000	\$46,800,000	\$50,200,000	\$53,800,000
Difference	(\$1,630,728)	(\$2,280,571)	(\$2,789,405)	(\$3,548,770)	(\$4,349,696)



V. Next Steps

Shrewsbury has been in a rapid growth period with school enrollment soaring by 51 % (2,000 students) in the last ten years. The community has supported three important debt exclusions to fund the construction of two new schools and the renovation of a third. The voters have favored the infrastructure projects but opposed two attempts to raise the levy limit to support the ongoing operations. As a result, bus fees have been added and existing fees increased in order to

generate more revenue. In addition, programs and staff are shrinking despite continued enrollment growth.

Cost indicators such as “cost per pupil” and “average family tax bill” characterize Shrewsbury as a cost-efficient community.

Elected officials, school leaders, and municipal officials are charged with the stewardship of our resources and preserving the quality of services delivered. It is clear that under the current levy limit and with our existing school programs and staff that a serious gap in revenue and expenses is before us.

The purpose of this document is to estimate our future school operations as best we can, identify the problem, and initiate a process for discussing how we manage through it. While it is unclear how to exactly proceed, it is very clear that failure to act will create a situation of “plan as you go” decisions that serve to fulfill demands in the short-term but fail to consider a long-term fiscal strategy. How can the leaders proactively take charge of the situation to develop plans to close the gap with forethought and a clear strategy?

Some concrete next steps are:

- _ to share this information with municipal leaders, the Board of Selectmen, and Finance Committee
- _ to provide opportunities for town meeting representatives and other community members to react to the document in public forums, meetings, and via local public access television programming
- _ to have school principals share and discuss the information and future impacts with their faculties, parent groups, and interested community members

Appendix A: Expense Assumptions for the Future

Curriculum and Program Review Needs

The district regularly reviews its curricular and academic support programs to ensure they meet state and federal standards and student needs. Each area will require resources to keep current with mandated programs and local, identified needs.

- Purchase sufficient textbooks and related materials for core academic programs. English/ Language Arts, Foreign Languages, Mathematics, Social Studies, and Science and Technology will require new textbooks at several grade levels. Projected cost: \$475,000 over five years. \$95,000 per year has been factored for this projection.

No Child Left Behind Act

The federal government and Commonwealth of Massachusetts mandate specific and yearly progress in the NCLB Law towards student learning and achievement. To keep the school system from being identified as an under-performing school district resources will be required to meet student learning needs.

- Provide additional staffing for the English language learners (ELL) program, K-12. Projected cost: \$78,000 each year.
- Increase reading program, K-8. Projected cost: \$90,000 each year starting in FY08.
- Provide additional mathematics tutors and instructional assistance, K-12. Projected cost: \$90,000 each year starting in FY09.

Special Education and 504 Accommodations

The surge in enrollment of special education students and those students requiring 504 Accommodation Plans require expanding resources and programs.

- Increase funding for assistive technology and tutors for students with a 504 Plan. Projected cost: \$30,000 each year.
- Increase Applied Behavioral Analysis technicians, grades 5-12. Projected cost: \$45,000 each year.

Technology Infrastructure

As the school population increases the technology infrastructure also needs to be supported, enhanced, and upgraded to meet the demands of the educational and administrative programs.

- Allocate sufficient funds for laptops for teacher and student use; upgrade existing hardware and servers. Projected cost: \$100,000 per year.
- Increase school year employees to full-time to provide network and technology maintenance year-round. Projected cost: \$20,000 each year.
- Increase annual infrastructure support contract to ensure all hardware and servers are properly serviced. Projected cost: \$30,000 per year.

Sherwood Middle School Renovation/New Construction

The anticipated renovation and/or demolition of the existing Sherwood Middle School will require the relocation of up to 1,000 students and over 50 staff either on site while demolition/construction occurs or off site. \$20,000 per year was projected in the FY09-FY11 budgets.